

THE PROBLEMS AND EFFECTS OF PRICE CONTROLS  
ON HONDURAN AGRICULTURE

By

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# THE PROBLEMS AND EFFECTS OF PRICE CONTROLS ON HONDURAN AGRICULTURE

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## Introduction

The stagnation of Honduran agriculture in the last 3 to 4 years has been discussed by the Honduran government as well as by international lenders such as the U.S. Agency for International Development (A.I.D.). Although the stagnation of Honduran agriculture (measured in terms of real gross domestic product) may have natural causes such as droughts, floods, diseases or infestations, government policies toward agriculture must also be examined to determine whether these policies may have contributed to the stagnation of production.<sup>1/</sup> The present paper will examine one such policy, that is, price controls, to determine the economic effects of price controls on the production of selected agricultural products. These products are cooking oils and lard, sugar, beef, pork, chicken, eggs, milk and the basic grains (corn, wheat, rice, sorghum and beans).

Agricultural price policy in developing countries such as Honduras is often based on a compromise between forces that argue for domestic self sufficiency and hence high prices and those that argue for low prices to stimulate industrial processing of raw materials and to provide low cost food for urban, industrial workers. Such a compromise often tends to empha-

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<sup>1/</sup>The stagnation of production is defined to be a rate of growth in real domestic gross product of less than 4 percent annually. This is minimum growth rate required to keep pace with domestic demand, given that the Honduran population is estimated to be growing at the high rate of 3.5 percent annually.

size the level of nominal prices rather than "real prices" (that is, to adjust nominal prices for inflation), and this becomes particularly serious in an inflationary setting where nominal prices are adjusted with a lag.<sup>2/</sup> Since price controls or maximum selling prices are always published as nominal prices, what appears to be a high nominal price for an agricultural product can quickly become a low real price in an inflationary economy. Such low real prices can eliminate the incentives to produce.

In the next section of the present paper, agricultural price policy, especially price control policy and the policy implementing institutions, will be discussed. The following section will present the published maximum selling prices for the selected products in several years and will discuss some of the problems encountered with the implementation of the price control policy. The last section will examine the economic effects of the price control policy on agricultural production and present the conclusions of the paper.

#### Agricultural Price Policy

Several government institutions play a major role in agricultural price policy. The Instituto Hondureño de Mercadeo Agrícola (IHMA), established by Decree Law No. 592 in February, 1978, has the responsibility to stabilize the prices of basic grains in the national market, create incentives to producers and adequately supply the consumers. The key features of IHMA market intervention policies are the price support program which guarantees minimum purchase prices to farmers for basic grains (corn, beans, rice and sorghum) and the monopoly control over imports and exports which effectively protects

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<sup>2/</sup> In this paper nominal prices will be adjusted for inflation using the Gross Domestic Product (GDP) deflator.

the domestic market from the international market. To implement the price support program IHMA has 13 purchasing agencies located in rural areas as well as two terminal facilities, one each in Tegucigalpa and Prado Alto. Total storage capacity is about 1.8 million quintales.<sup>3/</sup> In March of 1982, the IHMA silos and warehouses were filled with about 1.2 million quintales of grain, most of which (1 million quintales) was corn. The corn inventory was very high because a record 1981 corn crop, in combination with high support prices, obligated IHMA to purchase larger than expected amounts of corn. In addition to IHMA, the Ministerio de Economia has an important role in controlling the retail, wholesale, distribution and producer price for a broad range of food and non-food products.

To assist in the price control program, the government also has the Suplidora Nacional de Productos Basicos (BANASUPRO), created in 1974, which has 86 retail stores located throughout the country that sell items of primary necessity to the public at or below the controlled price. Because of high operating costs, BANASUPRO has regularly depended upon government subsidies to remain in operation.

Producer organizations and cooperatives also play an important role in agricultural price policy for major commodities such as coffee, bananas, sugar, cotton, dairy, beef and poultry.

#### Price Control Policy

Decree Law No. 91 of November 8, 1973 established the authority for government price controls to adequately protect consumers from abnormal situations such as supply shortages or excessive prices in the production and marketing of goods of primary necessity. Article 2 stated that imports

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<sup>3/</sup> One quintale is equal to 100 pounds.

and exports of products of primary necessity could be controlled through quotas or licenses to guarantee an adequate internal supply, that maximum selling prices in the domestic market could be established, that price speculation in commodities should be anticipated and combatted and that exemption from duty on imported goods could be permitted if international prices increased too rapidly. Furthermore, local processors and suppliers could be required to sell a portion of their production to the Banco Nacional de Fomento (BNF) to assure an adequate supply of basic goods throughout the country. This food distribution responsibility of BNF was transferred to BANASUPRO in 1974.

Article 3 assigned the administrative responsibility for the law to the Ministerio de Economía and created the Dirección General de Comercio Interior to execute the price control program. The Ministerio de Economía must elaborate the list of products subject to the measures of the law.

Article 8 stated that violators of the law can be punished by a fine which can vary from 5 to 10,000 Lempiras depending upon the seriousness of the violation and the economic capacity of the violator. Repeated violations can result in a doubling of the fine and in the most serious cases suspension of the license to operate a business or even closing of the business establishment.

According to Article 13, the Ministerio de Economía shall obtain approval for all the proposed measures from a commission with representatives from the Ministerios de Economía, de Hacienda y Crédito Público, de Recursos Naturales and from the Banco Nacional de Fomento, Consejo Hondureño de la Empresa Privada and from the Confederación de Trabajadores de Honduras.



Almost one year later on September 9, 1974, Agreement No. 297 defined the specific commodities whose prices could not be changed without approval of the Secretaría de Estado en el Despacho de Economía (General Secretary of the Ministry of Economy). This list of products of primary necessity contained items of food, personal hygiene, medicines and drugs, teaching materials, industrial raw materials, construction materials, repair parts and miscellaneous goods. Table 1 shows the 23 food products which were subject to price controls according to Agreement No. 297. Although the list includes a large number of food products, it is worthwhile to note that basic grains (corn, beans, rice and sorghum) were excluded from the list. The exclusion of basic grains from the price controls of the Ministerio de Economía may be explained by the fact that IHMA already controls those prices through its monopoly control over imports and exports, through purchases at the guaranteed minimum support price and through the re-sale of acquired inventories during the marketing year. Hence, prices of basic grains were, de facto, already controlled by another government agency.

Decree Law No. 91 has been revised periodically since 1973; however, no fundamental change in the price control law was made until Agreement No. 502-81 of December 28, 1981, greatly reduced the number of food products subject to price controls (Table 1). Under this agreement, only 8 food products remain subject to price controls. To the surprise of many observers, milk, meat, cooking oils and several other foods were removed from the list which means that market forces will determine the prices of these products for the first time since 1973. However, Agreement No. 502-81 does state that the Secretaría de Economía could return these products to price controls if substantial price alterations or supply shortages should

occur in the domestic market. Five of the eight food products which remain subject to price controls (whole milk powder, pastas, iodized salt, wheat flour and baking soda) are imported products or made from imported materials which may explain why they were not removed from price controls.

#### Prices of Products Subject to Control

Table 2 shows the maximum selling price at retail and wholesale for selected food products in Tegucigalpa in 1977, 1980, 1981 and 1982 as well as the current market price for these same products. It is readily apparent that the controlled prices for some products such as white sugar, chicken and eggs changed regularly whereas the controlled prices for the remaining products changed infrequently from October, 1977 to March, 1982. For bread the controlled price did not change from October, 1977 to June, 1981. For most of the products removed from price controls, the market prices in March of 1982 had already adjusted to higher levels. The products with the largest price increases were beef, pork, milk and bread while the market prices of some products such as cooking oil and corn flour were the same or slightly lower than the prices when these products were subject to price controls.

With the exception of white sugar, the nominal price increases approved by the Secretaria de Economia were less than the 52 percent increase in the GDP deflator from 1977 through 1981. This has resulted in declining real prices (nominal prices adjusted for inflation) at the retail and wholesale level for the food products subject to control so that one would expect real prices at the farm level to also decline in this period.

The total number of approved price increases for selected products from September 9, 1974 to March 20, 1982 was highest for white sugar, eggs

and chicken and lowest for brown sugar, and bread (Table 3). Beef, pork and milk only had two approved price increases and these were small percentage increases. The price control regulation requires that firms desiring to increase the price of their product must submit a request which demonstrates why the price increase is justified to the Secretaria de Economia. Upon completion of an investigation of the request, the Secretaria may approve the full amount of the increase, an amount less than requested or deny the price increase. Changes in production costs, profits and market conditions are the principal criteria used to evaluate these requests.

#### Price Control Enforcement Problems

Price control enforcement can frequently be an enormous, complex and futile task. The 1974 list contained 23 food "products"; however, the actual number of items subject to control is some multiple of 23 because each brand of product, size of package, weight of package, quality of product and individual cut of meat requires a price. The proliferation of controlled prices was further complicated by the setting of maximum selling prices at several levels of the marketing channel (producer, distributor, wholesaler, and retailer) as well as by type of retail establishment (supermarket and neighborhood store). Since prices also vary among major consumption centers of the country, a separate price list must be published for each major consumption center. One indicator of the enormity of the task is the 40 legal size typed pages required to publish the prices for all products (food and non-food) which were subject to control in Tegucigalpa in December, 1980.

Price control enforcement, a complex matter in developed countries, is even more complicated in developing countries such as Honduras because the marketing system lacks uniform weights and measures and a grading system that accurately reflects differences in product quality. Honduran products are sold in the market place by volume, units, weights and measures (medidas). Since not all merchants use the same weights and measures, the consumer, whether educated or uneducated, and the price inspector can be easily confused about the "true" selling price of the product. For example, pasteurized milk is sold to consumers in one-liter containers but some consumers also buy raw milk which is sold in measures of a quart or bottles of 0.75 liters. Eggs sold by the unit are within the current maximum selling price but a dozen eggs would exceed the official price per dozen so the merchant will sell 10 eggs but not a dozen. Even more subtle and difficult to detect are the quality variations that may occur because of the controlled selling prices. Imaginative merchants can easily vary the quality of product such as the mixture of lean and fat in meat to stay within the controlled selling price. In fact, maximum selling prices discourage product innovations to improve quality because the seller can get the same controlled price regardless of the quality of the product.

Monthly price fluctuations caused by seasonal imbalances between demand and supply further complicate the price control enforcement problem. Table 4 which contains the monthly price indices for selected products subject to price controls shows that retail market prices fluctuated considerably during 1980. Since the controlled price is a "flat" price that is adjusted infrequently during any calendar year, it is not at all clear how the Ministerio de Economía handled the problem of seasonal price fluctuations. A flat maxi-

mum selling price is fundamentally inconsistent with a market price that must vary during the year to encourage the holding of inventories which correct the seasonal imbalances between demand and supply. When such price fluctuations cause discrepancies between the controlled price and the market price, the price inspectors must either fine the violators or ignore the violations. Another alternative would be to increase the maximum selling price; however, the data presented in Table 3 showed that price increases were approved less than once a year for most products which indicates that approved price increases were not used to correct the monthly price fluctuations.

Price control enforcement is a futile task because any short term success will cause a long term failure. Price control enforcement, like supervision of subsidized credit, has little chance of success. Effective short run price controls will result in declining real prices and profits so that producers, processors and merchants lose the incentive to produce and market the product. When the product begins to disappear from the market, the consumers will bid more aggressively to fulfill their demand putting even more upward pressure on prices. Supply shortages have developed in Honduras for some products such as milk and eggs in the weeks prior to an increase in the maximum selling price. If the official selling price is not revised upward, an illegal market will quickly appear for the product. Thus, rigid short term price enforcement will ultimately drive the product from the controlled market to an illegal market where the prices must be even higher to pay for the added risk of selling a product illegally. Illegal markets for some food products do exist between Honduras and neighboring countries but data are not available to document this problem.

### Elimination of Price Control

Agreement No. 502-81 represents a significant change in government policy toward increased dependency upon market forces to determine prices in the domestic economy and reduced government intervention in the market place. Several reasons may be advanced for this policy change. First, it is important to recall that the Honduran price control legislation became effective in the 1973-74 period when food production shortages and rapid price increases occurred throughout much of the Western World. Many countries felt compelled to protect consumers from the ravages of these historically very rapid increases in prices. Second, the Government of Honduras recognizes that price controls at best are only a temporary solution to the problem of high prices and that such controls fail to address the more important problems of low production and productivity. In the case of Honduras this temporary solution of price controls remained in effect for over 8 years. Third, as will be shown in the next section of this paper, the real farm prices of most food products in the late 1970s are below the levels which prevailed in Honduras during the early to mid 1970s so that the government may feel substantially less political pressure to protect consumers. Fourth, the complexity of the price control enforcement task greatly increases the opportunities and incentives for non-compliance. However, the extent to which non-compliance was a problem could not be determined because none of the merchants interviewed were willing to discuss this issue. Fifth, the personnel and budget reductions in the Secretaria de Economia favored elimination of the price controls on many food products.

### Changes in Production and Real Prices

In this section, changes in production and real farm prices (nominal farm prices adjusted by the GDP deflator) are analyzed for beef, pork, milk, chicken, eggs, sugar cane, African palm, cotton, coconut, corn, beans, rice and sorghum from 1970 to 1981. Although the last four products have not been subject to price control by the Ministerio de Economía, the basic grains are included because of their importance to the feed concentrate industry, for human consumption and because IHMA has the power to control prices of basic grains through the support prices and imports and exports of basic grains.

As might be expected, nominal prices for all 13 products have increased steadily from 1970 to 1981 primarily because of the general inflation in the economy (Tables 5 and 6). However, the real farm prices for 11 of the 13 products have decreased, in some case substantially, during the 1970s. Only African palm and cotton had increasing real farm prices during the period (Table 7).

Production of some farm products (chicken, cotton, African palm and sugar) was very dynamic in the 1970s, increasing at an average annual rate of 8 percent or more (Table 7). Production of rice was also quite dynamic increasing at an average annual rate of 4.7 percent from 1971 to 1981. If the large rice production increase from 1970 to 1971 is included, the average annual rate exceeds 13 percent. For beef, pork, milk, eggs, sorghum, corn and coconut the average annual increase in production was less than 4 percent with sorghum, corn and beef having the lowest rates of increase.

Production of beans declined at an average annual rate of 3.5 percent in the 1970-81 period.<sup>4/</sup>

Among the livestock products, price controls appear to have contributed significantly to the stagnation of milk production. Real milk prices have declined steadily throughout the 1970s at a 2.1 percent annual rate; however, when real milk prices declined sharply in 1980 and 1981 production stagnated (Table 8). Because milk production has failed to keep pace with demand, Honduras continues to depend upon imported milk powder, which in recent years has equaled about \$20 million annually, to satisfy local demand. Imports of milk powder averaged only \$11.8 million annually in the mid 1970s. A related pricing problem in the dairy industry is variability of supply which decreases about 50 percent from the rainy season to the dry season. None of the three processors (Leyde, Delta, and Sula) pay farmers a higher price to increase production and stabilize supply in the dry season. Instead the processors rely upon imported milk powder which is reconstituted and sold as fluid milk.

Domestic price controls, in combination with declining U.S. prices in recent years, have contributed to the declining farm price for beef. With beef production increasing at only a 2.4 percent annual rate, production has not kept pace with domestic and export demand (Table 8). In fact, most of the increased beef production has been sold in the export market because exports have increased from 52 percent of production in the 1968-70 period

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<sup>4/</sup> Information is not available to indicate the extent to which production data of many of these products may be biased because of contraband shipments to and from Honduras and neighboring countries. According to some individuals, these illegal shipments are of sufficient magnitude to bias production data.



to 65 percent in the 1976-78 period. According to many in the beef industry, the 2.4 percent annual rate of increase in production may not be possible in the future because of the concern that females which should have been retained for herd expansion may have been slaughtered. A comprehensive study of the beef industry has been proposed by the World Bank and the Honduran government to diagnose the present situation of the cattle industry.

Pork prices are determined entirely within the domestic market and were subject to price controls until December, 1981. Despite declining real farm prices for pork, production increased at an average annual rate of 3.8 percent from 1970 to 1981. Pork production slowed dramatically in 1978 and 1979 when real prices also decreased sharply (Table 8).

Chicken production, a success story in Honduran agriculture, has increased at a very high annual rate of 12.9 percent; production from the modern farms accounts for the rapid increase and for nearly all the production (Table 9). Production from the traditional sector accounts for just over 10 percent of total output. Egg production, increasing at a 3.9 percent annual rate, has been far less dynamic in the 1970s in part because the modern sector accounted only 45 percent of production in the 1968-70 period. By the end of the 1970s the modern sector had increased that share to 80 percent.

Chicken and egg prices are determined in large part by the domestic market. Neither chicken nor eggs have been imported or exported in significant amount in recent years. Even though chicken and egg producers obtained several price control increases, the real farm price declined at a 3.4 percent and 3.6 percent annual rate, respectively (Table 7). Modern production techniques combined with declining feed concentrate prices for corn and

sorghum appear to have been important factors contributing to increased production in the face of declining chicken and egg prices.

Sugar cane production has increased at a favorable 7.9 percent annual rate from 1970 to 1981 (Table 10). In recent years about 45 percent of sugar production has been exported. The 1981 exports equalled about 100 million Lempiras which places sugar fifth behind bananas, coffee, wood and meat in export earnings.

Sugar cane prices, determined by a combination of the domestic and export markets, have decreased at a 1.5 percent annual rate from 1970 to 1981. Much of the variation in sugar cane prices is due to changes in world market prices which have been low in recent years. The sugar industry has successfully obtained approvals for 6 price increases from the Ministerio de Economia since 1974. Wholesale sugar prices at the present time are Lps. 0.50 per pound which is substantially above the New York raw sugar price of Lps. 0.30 per pound. In order to stabilize income for sugar producers, Honduras appears to maintain high internal prices to offset low world prices and vice versa. The currently high internal prices should slow the domestic rate of consumption which has been estimated at about 4.5 percent annually since 1980. This rate of consumption is slightly above the population growth rate of about 3.5 percent annually.

African palm, cotton and coconut account for over 80 percent of the edible oil production in Honduras. Of these three, African palm is by far the most important and also has achieved a very high 9.4 percent annual rate of increase in production (Table 11). Even though cotton production has been highly variable from year to year, output has increased at an average annual rate of 11.2 percent. Coconut production has increased at an average

annual rate of only 2.9 percent. Because production of these oilseed crops has increased quite rapidly, Honduras is essentially self-sufficient in vegetable oil production. In recent years, vegetable oil imports have not been necessary and some coconut has even been exported.

Real farm prices of these oilseed products are determined by the interaction of domestic and export markets. African palm and cotton prices have increased in real terms from 1970 to 1981 while coconut prices have declined at a high 6.9 percent annual rate. Since 1977 cotton prices have decreased quite rapidly and cotton production has also been decreasing.

Among the basic grains, rice production has been the most dynamic increasing at a 4.7 percent average annual rate from 1971 to 1981 (Tables 7 and 12). Corn and sorghum production have increased at about the same average annual rate (2.0 percent and 1.6 percent, respectively, from 1970 to 1981). Because of extremely good weather and high IHMA support prices, Honduras harvested a record corn crop and a near record sorghum crop in 1981. If these large crops are excluded from the production series, corn production grows at only a 1 percent annual rate and sorghum production declines at a 1.9 percent annual rate. Bean production, which has a declining average annual rate of 3.5 percent, has varied substantially from year to year (Table 12).

Production of the basic grains has not kept pace with demand growth in recent years. Corn, rice and beans have all been imported in the years 1979 through 1981 to satisfy the deficit in the domestic market. In addition, Honduras imports about 75,000 metric tons of wheat annually; slightly over 20,000 metric tons of these wheat imports are purchased through PL 480.

Real farm prices of all basic grains have declined from 1970 to 1981. Corn prices increased until 1978 and have declined by 25 percent since then. Bean prices have declined steadily throughout the 1970s at a 2.2 percent annual rate. Rice and sorghum prices have declined at average annual rates of 2.0 percent and 2.7 percent, respectively, from 1970 to 1981. As mentioned earlier, the rates of price decline for corn and sorghum have benefited large users of feed concentrates such as the chicken and eggs producers.

Even though it is beyond the scope of the present paper to conduct an extensive analysis of international prices for farm products, some comparisons for basic grains are presented to demonstrate the competitive position of Honduran agriculture (Table 12).<sup>5/</sup> Honduran farm prices are substantially below U.S. farm prices for dry edible beans and equal to U.S. farm prices for sorghum. In the case of rice, Honduran farm prices are about 80 percent more than the U.S. farm prices for rice which indicates that Honduras is clearly not competitive in rice production. Because Honduran corn prices are also higher than U.S. corn prices at the farm level by about 33 percent, it would seem that Honduras does not have a competitive advantage in corn production. However, if transportation and handling costs are considered the cost of U.S. corn in Puerto Cortez, Honduras, is greater than the farm price of corn in Honduras. For example, with the price of U.S. corn f.o.b. vessel, Gulf ports at \$133.81 per metric ton in 1981 plus about \$40.00 per metric ton for freight, insurance and unloading, the price of U.S. corn landed in Puerto Cortez, Honduras, would be about \$174.00 per metric ton

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<sup>5/</sup> These comparisons are made at the official exchange rate of Lempires 2 per U.S. dollar. No adjustment is made for possible over-valuation of the exchange rate or other measures that may be used to protect domestic production.

which is higher than the Honduran farm price of \$138.00 per metric ton in 1981. The data for 1979 and 1980 yield results similar to those for 1981. A quite different picture is likely to emerge for 1982 because U.S. corn prices have decreased substantially from earlier levels while Honduran corn prices will likely be much higher in 1982 because of the higher IHMA support prices.

### Conclusions

The Honduran price control law of 1973 appears to have adversely affected the performance of the agricultural sector in the 1970s. Even though nominal prices of all the livestock, crop and oilseed products studied have increased in the decade of the 1970s, real farm prices have declined and production has stagnated. Retail and wholesale price controls have contributed to the declining real farm prices because the nominal price changes approved by the Secretaria de Economia have been less than the rate of inflation as measured by the GDP deflator. Real farm prices declined for beef, pork, milk, chicken, eggs, sugar cane, coconut, corn, beans, rice and sorghum from 1970 to 1981. Only two of the 13 products (African palm and cotton) had increasing real farm prices in this period. These declining real prices and therefore, reduced farmer incentives have contributed to a stagnation of production for eggs, pork, milk, coconut, beef, corn, sorghum and beans. Only chicken, cotton, African palm, sugar cane and possibly rice have achieved rapid rates of increase in production (over 4 percent annually) during the 1970s.

The price controls appear to have been most harmful to milk and beef producers because production has not kept pace with domestic demand. Low milk prices have led to increased milk imports and low domestic beef prices

encouraged beef producers to sell an increasing proportion of production in the export market. For some products such as sugarcane, the price control policy also appears to have been used as a minimum price support policy for sugar cane producers. This was especially evident in March of 1982 when wholesale sugar prices in Tegucigalpa were substantially above world prices. Thus, a price control policy which is implemented in this manner may be of much greater benefit to producers than to consumers.

The Honduran government made a significant policy change in December, 1981 when the number of products subject to price control was greatly reduced. This change in emphasis toward greater dependence on the market place and less government intervention is a step in the right direction. Further steps in this direction should be encouraged.

Two important issues which are beyond the scope of this paper need to be analyzed in the case of Honduran agriculture. First, a complete analysis of the competitive position of Honduran agriculture compared to world markets and other Central American countries is recommended. Such an analysis is needed to determine whether an overvalued exchange rate plus other measures of protection are taxing agricultural exports and subsidizing food imports. Second, the results of the present study indicate that real prices of many food products have declined in the 1970s and that production has stagnated which suggests that food has become cheaper to consumers but that per capita food availability may not have increased or may have even decreased for some food products. Research is needed to measure the effects of these price and production changes on consumers, producers and agricultural trade. If consumers' incomes failed to keep pace with inflation, the price and availability of food to the consumer may not have improved during the 1970s.

TABLE 1: LIST OF FOOD PRODUCTS SUBJECT TO PRICE CONTROL ON SEPTEMBER 9, 1974  
AND ON DECEMBER 28, 1981 IN HONDURAS

Food Products from Agreement No. 297 September 9, 1974	Food Products from Agreement No. 502-817 December 28, 1981
Cooking oils	Lard
Lard	White sugar
Baby food	Eggs
White sugar	Whole milk powder
Brown sugar (panela)	Italian pastas
Roasted coffee	Iodized salt
Ground coffee	Wheat flour
Beef	Baking soda
Pork	
Chicken	
Wheat flour	
Eggs	
Fluid milk	
Milk products	
Corn flour	
Margarine	
Bread and other	
Bakery products	
Italian pastas	
Baking soda	
Dehydrated soups	
Iodized salt	

Source: Secretaria de Economia, Direccion  
General de Comercio Interior

Table 2: SECRETARIA DE ECONOMIA MAXIMUM SELLING PRICES AND MARKET PRICES FOR FOOD PRODUCTS IN TEGUCIGALPA FOR SELECTED YEARS

Product	October 1977	December 1980	June 1981	March 1982	Market Price March, 1982
- - - - Lempiras Per Pound - - - -					
<u>White sugar</u>					
Retail	0.25	0.33	0.41	0.55	0.55
Wholesale	0.22	0.30	0.38	0.50	0.50
<u>Brown sugar</u>					
Retail	0.25	0.31	0.31	N.C. <sup>a/</sup>	0.42
Wholesale	0.22	0.29	0.29	N.C.	-
<u>Lard (Clover Brand)</u>					
Retail	1.00	1.20	1.30	1.30	1.30
Wholesale	0.90	1.08	1.19	1.19	-
<u>Cooking oil (Primavera)</u>					
Retail	1.50	1.60	1.60	N.C.	1.58
Wholesale	1.36	1.42	1.42	N.C.	-
<u>Beef in Meat Shops</u>					
<u>Loin</u>					
Retail	2.00	2.00	2.00	N.C.	3.00-3.40
Wholesale	N.C.	N.C.	N.C.	N.C.	-
<u>Ground Beef</u>					
Retail	1.50	1.50	1.50	N.C.	1.00-2.50
Wholesale	N.C.	N.C.	N.C.	N.C.	-
<u>Pork in Meat Shops</u>					
<u>Pork chops</u>					
Retail	1.80	2.00	2.00	N.C.	3.00
Wholesale	N.C.	N.C.	N.C.	N.C.	-
<u>Pork ribs</u>					
Retail	1.80	1.95	1.95	N.C.	2.90
Wholesale	N.C.	N.C.	N.C.	N.C.	-
<u>Chicken</u>					
Retail	1.35	1.45	1.60	N.C.	1.65
Wholesale	N.C.	N.C.	N.C.	N.C.	-
<u>Eggs (one dozen)</u>					
Retail	1.40	1.68	1.85	1.85	1.85-2.10
Wholesale	1.20	1.65	N.C.	N.C.	-
<u>Wheat flour (El Panadero)</u>					
Retail	0.37	0.46	0.53	0.53	0.50
Wholesale	0.32	0.41	0.47	0.47	0.46
<u>Corn flour (ARGO)</u>					
Retail	0.70	1.05	1.05	N.C.	1.00
Wholesale	0.54	0.89	0.89	N.C.	-
<u>Fluid Milk (Liter)</u>					
Retail	0.62	0.72	0.72	N.C.	0.79
Wholesale	0.56	0.67	0.67	N.C.	0.73



Table 2, cont'd

Product	October 1977	December 1980	June 1981	March 1982	Market Price March, 1982
- - - - Lempiras Per Pound - - - -					
<u>Bread (large loaf)</u>					
Retail	0.75	0.75	0.75	N.C.	0.90
Wholesale	N.C.	N.C.	N.C.	N.C.	-

a/ N.C. means that prices are not controlled.

Source: Ministerio de Economía, Dirección General de Comercio Interior, and personal interviews with retailers and wholesalers.

Table 3: NUMBER OF PRICE INCREASES APPROVED FOR SELECTED FOOD  
PRODUCTS BY THE SECRETARIA DE ECONOMIA DE HONDURAS  
(SEPTEMBER 9, 1974 TO MARCH 20, 1982)

Product	Number of Approved Increases
White sugar	6
Eggs	5
Chicken	4
Lard	3
Cooking oil	2
Beef	2
Pork	2
Wheat flour	2
corn flour	2
Milk	2
Bread	1
Brown sugar	0

Source: Secretaria de Economía, Dirección General de Comercio Interior

Table 4: MONTHLY RETAIL PRICE FLUCTUATIONS FOR SELECTED FOOD PRODUCTS  
IN TEGUCIGALPA DURING 1980

Month	Beef	Pork	Eggs	Brown Sugar	Rice	Corn
January <sup>a/</sup>	100	100	100	100	100	100
February	109	109	100	100	107	114
March	113	118	100	102	107	95
April	113	116	100	120	100	109
May	109	123	100	113	100	104
June	109	114	100	107	106	91
July	111	120	100	103	103	107
August	113	127	100	100	100	114
September	122	104	100	100	107	125
October	130	82	133	100	114	136
November	126	104	133	100	114	127
December	124	127	100	80	121	127

<sup>a/</sup> The January price equals the base price of 100.

Source: Computed from raw data supplied by the Ministerio de Recursos Naturales.

Table 5: AVERAGE NOMINAL PRICES PAID TO FARMERS FOR LIVESTOCK PRODUCTS  
IN HONDURAS

Year	BEEF <sup>a/</sup>	PORK <sup>a/</sup>	CHICKEN <sup>a/</sup>	EGGS <sup>b/</sup>	MILK <sup>c/</sup>
1970	40.83	64.00	76.3	27.0	0.218
1971	40.87	66.00	78.7	26.3	0.229
1972	41.49	67.00	76.4	27.4	0.230
1973	42.84	69.00	83.1	27.7	0.240
1974	54.19	77.00	99.9	29.9	0.260
1975	59.16	79.00	102.4	32.04	0.280
1976	63.70	81.00	102.4	33.84	0.310
1977	73.24	87.00	105.7	34.92	0.340
1978	79.59	89.00	109.0	37.08	0.370
1979	80.19	92.00	114.6	37.08	0.400
1980	83.98	100.00	120.2	44.28	0.420
1981	88.29	107.00	128.8	44.64	0.430

<sup>a/</sup> Average farm price per quintal (100 lbs.) of meat

<sup>b/</sup> Average farm price per case of 360 eggs

<sup>c/</sup> Average farm price per liter of milk

Source: Banco Central de Honduras  
Departamento de Estudios Economicos

Table 6: AVERAGE NOMINAL PRICES PAID TO FARMERS FOR CROP PRODUCTS IN HONDURAS, 1970-81<sup>a/</sup>

Year	Corn	Rice	Sorghum	Beans	Sugar Cane	African Palm	Cotton	Coconut
1970	5.90	20.38	5.40	16.80	0.55	1.98	16.58	5.50
1971	6.00	22.42	5.40	16.75	0.60	1.45	17.00	6.00
1972	6.00	22.45	5.45	17.00	0.65	1.38	17.75	5.75
1973	6.50	22.50	5.50	17.75	0.65	1.50	21.50	5.70
1974	7.00	23.25	6.25	18.50	0.65	1.60	29.50	5.75
1975	8.25	24.25	6.25	19.05	0.65	1.92	33.00	6.00
1976	8.50	25.00	6.50	19.50	0.70	2.64	42.00	6.15
1977	10.00	29.50	7.75	21.50	0.75	2.65	51.00	6.20
1978	12.00	32.50	8.25	22.50	0.85	2.95	43.35	6.26
1979	12.50	35.50	8.75	27.25	0.95	3.25	48.10	6.25
1980	12.54	38.68	9.38	29.50	1.13	3.95	49.57	6.36
1981	12.52	40.05	9.96	32.60	1.16	4.02	56.93	6.29

<sup>a/</sup> Average farm price per quintale (100 lbs.)

Source: Banco Central de Honduras  
Departamento de Estudios Economicos

Table 7: AVERAGE ANNUAL RATES OF CHANGE IN PRODUCTION AND REAL FARM  
PRICES OF SELECTED PRODUCTS IN HONDURAS, 1970-1981

	<u>Average Annual Rate of Change in</u>	
	<u>Production</u>	<u>Real Farm Prices</u>
	- - - - - Percent - - - - -	
Chicken	12.9	- 3.4
Cotton	11.2	3.7
African palm	9.4	1.6
Sugar cane	7.9	- 1.5
Rice	4.7	- 2.0
Eggs	3.9	- 3.6
Pork	3.8	- 3.7
Milk	3.7	- 2.1
Coconut	2.9	- 6.9
Beef	2.4	- 2.5
Corn	2.0	- 1.3
Sorghum	1.6	- 2.7
Beans	- 3.5	- 2.2

Source: Computed

Table 8: PRODUCTION AND REAL FARM PRICES OF SELECTED LIVESTOCK PRODUCTS IN HONDURAS, 1970-81<sup>a/</sup> <sup>b/</sup>

Year	B E E F		P O R K		M I L K	
	Real Farm Price	Production	Real Farm Price	Production	Real Farm Price	Production
1970	37.29	1,060	58.45	101	0.199	189
1971	36.69	1,121	59.24	108	0.205	192
1972	35.25	1,185	56.92	115	0.195	203
1973	34.19	1,098	55.07	123	0.191	207
1974	38.82	1,190	55.15	130	0.186	219
1975	39.05	1,192	52.14	139	0.184	226
1976	39.13	1,201	49.75	149	0.190	231
1977	40.80	1,304	48.47	159	0.189	242
1978	40.34	1,322	45.10	170	0.187	250
1979	36.40	1,415	41.76	174	0.180	257
1980	33.15	1,377	39.48	176	0.165	269
1981	32.36	1,482	39.22	186	0.157	271

<sup>a/</sup> Real farm prices are nominal farm prices in Lempiras per quintal (100 lbs.) divided by the GDP deflator using a 1966 base year.

<sup>b/</sup> Production is in thousands of quintales (100 lbs.) except for milk which is in millions of liters.

Source: Banco Central de Honduras,  
Departamento de Estudios Economicos

Table 9: PRODUCTION AND REAL FARM PRICES OF CHICKENS AND EGGS  
IN HONDURAS, 1970-81<sup>a/</sup> <sup>b/</sup>

Year	C H I C K E N S			E G G S	
	Real Farm Price	Modern Production	Traditional Production	Real Farm Price	Production
1970	69.68	71	9	24.66	267
1971	70.65	79	10	23.61	300
1972	64.91	88	11	23.28	318
1973	66.32	98	13	22.10	337
1974	71.56	110	14	21.42	360
1975	67.59	123	16	21.15	381
1976	62.90	137	18	20.79	403
1977	58.88	153	20	19.45	424
1978	55.24	170	22	18.75	447
1979	52.02	190	25	16.83	464
1980	47.45	213	28	17.48	470
1981	47.21	269	35	16.38	487

<sup>a/</sup> Real farm prices are nominal farm prices in Lempiras per quintal (100 lbs.) divided by the GDP deflator using a 1966 base year. Egg prices are per case of 360 eggs.

<sup>b/</sup> Production of chickens is in thousands of quintales (100 lbs.) and eggs in millions of units.

Source: Banco Central de Honduras,  
Departamento de Estudios Economicos



Table 10: PRODUCTION AND REAL FARM PRICES OF SUGAR CANE IN HONDURAS,  
1970-81<sup>a/</sup> <sup>b/</sup>

Year	Real Farm Price	Production
1970	0.50	24,338
1971	0.54	26,088
1972	0.55	28,650
1973	0.52	26,860
1974	0.46	30,782
1975	0.43	32,738
1976	0.43	33,517
1977	0.42	41,107
1978	0.43	44,464
1979	0.43	46,714
1980	0.45	54,387
1981	0.42	55,560

<sup>a/</sup> Real farm prices are nominal farm prices in Lempiras per quintal (100 lbs.) divided by the GDP deflator using a 1966 base year.

<sup>b/</sup> Production of sugar is in thousands of quintales (100 lbs.).

Source: Banco Central de Honduras  
Departamento de Estudios Economicos

Table 11: PRODUCTION AND REAL FARM PRICES OF SELECTED OILSEED CROPS IN HONDURAS,  
1970-81a/ b/

Year	AFRICAN PALM		COTTON		COCONUT	
	Real Farm Price	Production	Real Farm Price	Production	Real Farm Price	Production
1970	1.81	717	15.14	196	5.02	260
1971	1.30	944	15.26	126	5.38	281
1972	1.17	1,042	15.08	142	4.88	279
1973	1.20	1,123	17.16	268	4.55	303
1974	1.29	1,092	21.13	328	4.12	292
1975	1.27	1,087	21.78	321	3.96	296
1976	1.62	1,036	25.80	193	3.78	292
1977	1.48	1,180	28.41	437	3.45	311
1978	1.49	1,281	21.97	699	3.17	322
1979	1.48	1,398	21.83	466	2.84	316
1980	1.56	1,480	19.57	545	2.51	329
1981	1.47	1,846	20.87	467	2.30	326

a/ Real farm prices are nominal farm prices in Lempiras per quintal (100 lbs.) divided by the GDP deflator using a 1966 base year.

b/ Production is in thousands of quintales (100 lbs.)

Source: Banco Central de Honduras, Departamento de Estudios Economicos

Table 12: PRODUCTION AND REAL FARM PRICES OF BASIC GRAINS IN HONDURAS, 1970-81<sup>a/ b/</sup>

Year	C O R N		B E A N S		R I C E		S O R G H U M	
	Real Farm Price	Production	Real Farm Price	Production	Real Farm Price	Production	Real Farm Price	Production
1970	5.39	7,772	15.34	1,057	18.61	217	4.93	1,292
1971	5.38	7,918	15.03	1,204	20.12	421	4.85	1,321
1972	5.10	7,979	14.44	1,097	19.07	522	4.63	1,341
1973	5.19	7,726	14.17	923	17.96	453	4.39	1,340
1974	5.01	7,902	13.25	1,141	16.65	438	4.48	1,401
1975	5.45	7,563	12.57	1,048	16.01	487	4.12	1,333
1976	5.22	8,332	11.98	948	15.36	502	3.99	1,518
1977	5.57	7,327	11.98	950	16.43	385	4.32	1,346
1978	6.08	7,632	11.40	980	16.47	501	4.18	1,351
1979	5.67	8,217	12.37	968	14.75	534	3.95	1,357
1980	4.95	8,543	11.65	1,007	15.27	685	3.70	1,001
1981	4.59	9,492	11.95	983	14.68	612	3.65	1,381

<sup>a/</sup> Real farm prices are nominal farm prices in Lempiras per quintal (100 lbs.) divided by the GDP deflator using a 1966 base year.

<sup>b/</sup> Production is in thousands of quintales (100 lbs.)

Source: Banco Central de Honduras,  
Departamento de Estudios Economicos

Table 13: RATIO OF HONDURAN FARM PRICES TO U.S. FARM PRICES FOR  
SELECTED PRODUCTS, 1979-81<sup>a/</sup>

Product	1979	1980	1981	Average
Corn	148	130	120	133
Sorghum	112	100	105	106
Rice	196	175	168	180
Dry edible beans	69	59	57	62

<sup>a/</sup> The comparisons are made using the official exchange rate of  
Lempiras 2 per U.S. dollar.

Source: Computed from data supplied by the Banco Central de Honduras,  
Departamento de Estudios Economicos and the U.S. Department of  
Agriculture, Economic Research Service